



*United States Attorney  
Southern District of New York*

FOR IMMEDIATE RELEASE  
AUGUST 8, 2005

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**FORMER BREAN MURRAY INVESTMENT BANKER**  
**CHARGED BY U.S. WITH DEFRAUDING CLIENTS**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that LORNE CAPLAN, a former investor banker at Brean Murray & Co., a New York investment bank, surrendered today on charges that he diverted approximately \$890,000 of investor funds for his personal use and that of his co-conspirators.

According to a criminal Complaint filed in Manhattan federal court, as a Brean Murray investment banker, CAPLAN was responsible for acting as an intermediary or conduit between companies issuing securities and public investors. From time to time, CAPLAN would contact clients seeking to invest in securities and facilitate the purchase of such securities. Starting in or about June 2001, CAPLAN contacted two potential investors ("Victim-1" and "Victim-2") regarding an investment in

Standard Mems, a company which manufactures sensors for medical equipment, among other things. CAPLAN received a total of approximately \$600,000 from Victim-1 and Victim-2, it was charged, and instead of investing the funds in Standard Mems, CAPLAN diverted the funds to his personal use and that of his co-conspirators. Further, CAPLAN diverted for his personal use an additional approximately \$290,000 in funds that had been previously invested with Brean Murray & Co. by four other investors ("Victim-3" through "Victim-6") in connection with a bond issue for Standard Mems, according to the charges.

For example, according to the Complaint, in or about June 2001, CAPLAN contacted Victim-1, an individual residing in Texas, regarding a purported investment opportunity in Standard Mems. CAPLAN advised Victim-1 that CAPLAN had created a shell company, Natra-Bio, Inc., through which investments would purportedly be made to buy out Standard Mems by way of an equity line of credit obtained by the purchase of an insurance policy. CAPLAN told Victim-1 that \$600,000 was needed to purchase a \$40 million insurance policy which would serve as the basis for a line of credit to take over Standard Mems. CAPLAN allegedly told Victim-1 that his investment would entitle Victim-1 to a proportionate share of the value of Standard Mems. Victim-1 agreed to invest \$350,000.

In a facsimile sent by CAPLAN to Victim-1 on or about June 21, 2001, CAPLAN described the investment opportunity as follows:

As it is a somewhat complex transaction, I would prefer to review it with you. In essence, the insurance premium is 1.5% of the \$40 million asset valuation, which Axxes S.A. accepted from the appraised asset reports that I provided to them. They gave an 80% value to the \$40 million that you can see from the binder, they guarantee for Generali and Zurich to funds at a 70% level. [sic]

Therefore, the \$600,000 premium, in essence, facilitates the funding of the equity line through the Natra-bio, Inc. entity, which is a shell that I created. Who ever invests the \$600,000 will directly receive their proportionate share of the \$22.4 million that will go into Standard Mems, Inc. from the equity line through the "shell." We do not want the certain Board members to know who the investors are specifically, which will give us more leverage to strike a very tough deal for the \$22.4 million. The investors who put up the \$600,000 premium will have it repaid on the first installment payment from Axxes S.A. with the balance of the funds going to SMI for funding. If you would like, I would also propose that those who put up the premium will also receive 10% of their premium back over a 10 month period in installment as each monthly insurance installment comes in. Please note that the premium of \$600,000 is held in escrow until the equity line gets approved. If it doesn't, then the funds are returned, less a \$5k administrative fee, which I would be happy to cover.

According to the Complaint, after the victims' funds were in the Standard Mems escrow account at Brean Murray, CAPLAN used phony letters purportedly from the CEO of Standard Mems that allegedly authorized wire transfers of the funds from the Standard Mems escrow account. By this scheme, CAPLAN allegedly stole approximately \$890,000 in funds from six of Brean Murray's

clients. The unauthorized wire transfers from the escrow account were as follows: approximately \$350,000 in funds from Victim-1 were wired to an account in Amsterdam, Holland in the name of Eurolux Lawyers Amsterdam; approximately \$250,000 in funds from Victim-2 were wired to the account in New York, New York, in the name of Natra-Bio Inc., a shell company owned by CAPLAN; and approximately \$290,000 in funds from Victim-3 through Victim-6 were wired to an account in Lake Worth, Florida in the name of "John D. Chaikin in Trust." Each wire also referenced Axxes S.A. and/or Standard Mems.

Bank records for Natra-Bio Inc. showed that one day after Victim-2 wired approximately \$250,000 which was purportedly to be invested in Standard Mems, CAPLAN transferred approximately \$100,000 of these funds into his personal bank account, approximately \$50,000 into the account of his wife, and withdrew approximately \$59,800 in cash.

LORNE CAPLAN, 40, resides in Stamford, Connecticut.

CAPLAN is charged with one count of wire fraud. If convicted, CAPLAN faces a maximum sentence of 20 years in prison and a maximum fine of \$250,000 or twice the loss to victims or gain to the defendant from the crime. CAPLAN was released from custody on a \$500,000 personal recognizance bond, co-signed by two financially responsible persons.

Mr. KELLEY praised the efforts of the FBI in the investigation of this case.

Assistant United States Attorney BRET R. WILLIAMS is in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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